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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

MEMORANDUM

COPY

EX PARTE OR LATE FILED

TO: Magalie Roman Salas, Secretary FCC

DATE: November 19, 1998

RE: EX PARTE FILING - Letter from Walter Challenger, the
Chairman of the Public Service Commission of the United
States Virgin Islands; Federal-State Joint Board on
Universal Service, CC Docket Nos. 96-45, 97-160

Attached are two copies of letters sent to each member of the Federal-State Joint Board from the Walter Challenger, the Chairman of the Public Service Commission of the United States Virgin Islands. Please include them in the appropriate file.

Thank you for your assistance in this matter.



GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

EX PARTE OR LATE FILED

—o—
Public Services Commission

November 9, 1998

The Honorable Susan Ness
Federal-State Board Chair
Commissioner
Federal Communications Commission
1919 M Street, NW, Room 832
Washington, DC 20554

Dear Commissioner Ness:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

The FCC's current proposal to shift 75 percent of the existing high-cost fund requirements to local sources would have a uniquely devastating effect on telecommunications services and rates in the U.S. Virgin Islands. Unlike nearly every other jurisdiction, the U.S. Virgin Islands has no *intrastate* toll service because the entire island system is one local calling area. As a result, the PSC does not enjoy an intrastate toll revenue base from which it can makeup the shortfall created by the reduced federal support of the high-cost fund. Because the major local carrier Viteclo relies on receiving universal service support, it cannot make up the differences either. Further, given the tiny size and population of the U.S. Virgin Islands, there simply are not enough ratepayers of any type from which additional revenues could be disproportionately collected. Thus, the only means by which the U.S. Virgin Islands could make up this shortfall would be to increase the basic rates of *all* its customers.

The impact on the rates that our consumers will pay will be significant. For example, given the 25/75 methodology, the U.S. Virgin Islands will be required to raise on its own almost \$8.5 million this year. While in the grand scheme of the high-cost fund this may seem to be a relatively tiny figure, in the U.S. Virgin Islands this represents over 40 percent of the revenues collected from basic service. Rates would increase correspondingly. For example, the basic residential rate would shoot from \$18.50 per month to almost \$26 per month – an increase of \$90 per year. Business rates would skyrocket from \$49.85 per month for a main line to just over \$70 per month – an increase of nearly \$242 per year per line.

This is an increase our ratepayers can ill afford to pay. The basic rates in the U.S. Virgin Islands are already well above the national averages of \$13.70 for residential lines and \$32.54 for business lines, reflecting the costly nature of providing service in the U.S. Virgin Islands. Further, nearly a quarter of the population of the island group lives beneath the poverty line. For those living above the poverty line, the average disposable income is only 60 percent of that enjoyed by residents of the mainland United States.

Basic telephone service has become a necessity (and a national goal) in our society. Yet, given the tremendous impact of the removal of federal support on rates in the U.S. Virgin Islands, we anticipate that the reduction in federal universal service support would render even basic telephone service unaffordable for large numbers of our citizens who are already living on the economic edge. This, in turn, will have a negative effect on subscribership levels, which are already lower than those of the mainland. Further, any reduction in revenues will force Vitelco to cut back on its modernization efforts and reduce its ability to continue to improve the quality services the people of the U.S. Virgin Islands

The Board can alleviate this potential crisis by recommending to the FCC that it act to fully fund the high-cost requirements of the U.S. Virgin Islands. The situation here is unique and the cost is small. The payoff, on the other hand, will be dramatic and give our citizens the ability to retain what nearly every American is entitled to enjoy – basic telephone service.

Thank you for your consideration of this critical matter to the citizens of the U.S. Virgin Islands.

Sincerely,



Walter L. Challenger
Chairman



GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

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EX PARTE OR LATE FILED

Public Services Commission

November 9, 1998

The Honorable Harold Furchtgott-Roth
Federal-State Board
Commissioner
Federal Communications Commission
1919 M Street, NW, Room 832
Washington, DC 20554

Dear Commissioner Furchtgott-Roth:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

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Thank you for your consideration of this critical matter to the citizens of the U.S. Virgin Islands.

Sincerely,

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Walter L. Challenger
Chairman



GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

EX PARTE OR LATE FILED

Public Services Commission

November 9, 1998

The Honorable Gloria Tristani
Federal-State Board
Commissioner
Federal Communications Commission
1919 M Street, NW, Room 832
Washington, DC 20554

Dear Commissioner Tristani:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

The FCC's current proposal to shift 75 percent of the existing high-cost fund requirements to local sources would have a uniquely devastating effect on telecommunications services and rates in the U.S. Virgin Islands. Unlike nearly every other jurisdiction, the U.S. Virgin Islands has no *intrastate* toll service because the entire island system is one local calling area. As a result, the PSC does not enjoy an intrastate toll revenue base from which it can makeup the shortfall created by the reduced federal support of the high-cost fund. Because the major local carrier Viteclo relies on receiving universal service support, it cannot make up the differences either. Further, given the tiny size and population of the U.S. Virgin Islands, there simply are not enough ratepayers of any type from which additional revenues could be disproportionately collected. Thus, the only means by which the U.S. Virgin Islands could make up this shortfall would be to increase the basic rates of *all* its customers.

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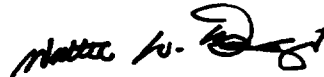
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Thank you for your consideration of this critical matter to the citizens of the U.S. Virgin Islands.

Sincerely,

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Walter L. Challenger
Chairman



GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

EX PARTE OR LATE FILED

Public Services Commission

November 9, 1998

The Honorable Julia Johnson
Federal-State Board, State Chair
Chairman
Florida Public Services Commission
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, FL 32399-850

Dear Chairman Johnson:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

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Sincerely,



Walter L. Challenger
Chairman



GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

EX PARTE OR LATE FILED

—o—
Public Services Commission

November 9, 1998

The Honorable David Baker
Federal-State Board Member
Commissioner
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, GA 30334-5701

Dear Commissioner Baker:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

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Sincerely,



Walter L. Challenger
Chairman



GOVERNMENT OF THE VIRGIN ISLANDS
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UNITED STATES

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EX PARTE OR LATE FILED

Public Services Commission

November 9, 1998

The Honorable Laska Schoenfelder
Federal-State Board Member
Commissioner
South Dakota Public Utilities Commission
State Capital, 500 East Capital Street
Pierre, SD 57501-5070

Dear Commissioner Schoenfelder:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

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Walter L. Challenger
Chairman



GOVERNMENT OF THE VIRGIN ISLANDS
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UNITED STATES

—o—

Public Services Commission

EX PARTE OR LATE FILED

November 9, 1998

The Honorable Martha S. Hogerty
Federal-State Board Member
Public Counsel
Missouri Office of Public Counsel
301 West High Street, Suite 250
P.O. Box 7800
Jefferson City, MO 65102

Dear Ms. Hogerty:

On behalf of the United States Virgin Islands Public Service Commission (the "PSC"), I strongly urge you to recommend to the Federal Communications Commission ("FCC") a universal service funding methodology that will cover 100 percent of the high-cost funding requirements of the Virgin Islands. Only by making such a recommendation will the Board and the FCC ensure that the citizens of the Virgin Islands will enjoy affordable and reliable telecommunications services.

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Walter L. Challenger
Chairman